



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

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DIVISION OF FINANCIAL AND
GENERAL MANAGEMENT STUDIES

B-199914

OCTOBER 8, 1980

The Honorable Sam Brown
Director, ACTION



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Dear Mr. Brown:

Subject: Controls Over Peace Corps Revenue and Expense Transactions (FGMSD-81-7)

This letter contains the results of our survey of accounting controls over expenditure and revenue transactions at Peace Corps activities in Guatemala, Ecuador, and Jamaica. Our survey disclosed weaknesses in controls over cash receipts, accounts receivable, and imprest funds at the Peace Corps in Jamaica and weaknesses in controls over imprest funds at the Peace Corps in Guatemala and Ecuador. We are bringing these weaknesses to your attention to help you discharge your responsibilities under 31 U.S.C. 66a, which requires agency heads to provide effective control over, and accountability for, all funds for which they are responsible.

At the Peace Corps in Jamaica, we identified a number of control weaknesses which are summarized below.

- A receipt was not issued for each collection. Using prenumbered receipts is a basic control to help ensure that all collections are recorded and accounted for.
- Collections were not deposited promptly as required. Instead, they were held for several months. Such delays increase the potential for misuse or loss of funds.
- Collection efforts on amounts due for personal vehicle use were not adequate. As a result, many of these receivables remained outstanding over 30 days.
- Documentation requirements for petty cash disbursements were sometimes not followed. For example, the dates of disbursements were not always noted on the

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receipts, and all invoices, supporting documents, and subvouchers were not marked "PAID" at the time funds were disbursed. Proper documentation is necessary for control and accountability of disbursements.

--Imprest funds were not adequately safeguarded and controlled. For example, monthly verifications were made at the same time each month rather than on an unannounced basis as required. Also, the size of the imprest fund could exceed its disbursement needs; the Country Director and the administrative officer should review the amount in the fund and the volume of disbursements to determine if the fund should be reduced.

We discussed these weaknesses in more detail in a letter to the Country Director. He generally agreed with our findings and indicated that he would take the corrective actions needed.

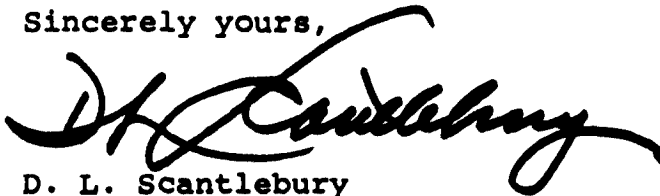
Since the embassies in Guatemala and Ecuador perform most accounting functions such as obligation accounting, voucher processing, and collections, Peace Corps accounting operations in those countries are limited. However, these two posts do operate imprest funds and we noted that they were not performing unannounced cash verifications as required. The Peace Corps Manual (Vol. II, Order 2325.1) specifically calls for such verifications to be performed monthly to reduce the potential for misuse of the funds and to promptly detect any shortages. We discussed this weakness with Country Directors at these posts and they promised to take corrective actions.

Questionnaires designed to identify potential internal control problems were the basis of our interviews and discussions with responsible officials. When responses indicated potential weaknesses, we tested selected transactions to determine if the weaknesses existed. However, we only verified the existence of the weaknesses and did not attempt to establish their extent or the precise corrective actions needed.

Although we are not making any formal recommendations, we suggest that you follow up on the adequacy of corrections. You may wish to do this through the ACTION Inspector General who, as we understand, will soon conduct an administrative audit of the Peace Corps in Jamaica. We are sending a copy of this letter to the ACTION Inspector General.

We appreciate the courtesies and cooperation extended to us at each location and would welcome any written comments you may have concerning the observations in this letter.

Sincerely yours,

A handwritten signature in black ink, appearing to read "D. L. Scantlebury". The signature is fluid and cursive, with a large, sweeping initial "D" and a long, horizontal flourish extending to the right.

D. L. Scantlebury
Director